

CARSONVILLE-PORT SANILAC SCHOOLS

Carsonville, Michigan

Report on Financial Statements

(with additional information)

June 30, 2007

CARSONVILLE-PORT SANILAC SCHOOLS
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November 2, 2007

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Carsonville-Port Sanilac Schools
Carsonville, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Carsonville-Port Sanilac Schools as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Carsonville-Port Sanilac Schools' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Carsonville-Port Sanilac Schools as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2007, on our consideration of Carsonville-Port Sanilac Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages /x through /x and page 21, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion it.

Board of Education
Carsonville-Port Sanilac Schools
November 2, 2007

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Carsonville-Port Sanilac Schools' basic financial statements. The combining and individual nonmajor fund financial statements and supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and supplementary information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Anderson, Tuckey, Bernhardt & Doran, P.C.

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

Carsonville-Port Sanilac Schools

Management's Discussion and Analysis

For Fiscal Year Ended June 30, 2007

Carsonville-Port Sanilac School District, a K-12 school district located in Sanilac County, Michigan, has implemented the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Management's Discussion and Analysis, a requirement of GASB 34, is intended to provide, in layman's term, a look at the district's performance and past and current position.

This reporting model was adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements – and Management Discussion and Analysis (MD&A) – for State and Local Governments issued in June of 2000. This is our fourth year of implementation so certain comparative information between the current year and the prior year is required to be presented in the MD&A. Our district has met those requirements to our knowledge.

Generally accepted accounting principles (GAAP), according to GASB 34, require the reporting of two types of financial statements: fund financial statements and government-wide financial statements.

Fund Financial Statements

The fund level statements are reported on a modified accrual basis in that only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual." In the State of Michigan, school districts' major instructional and instructional support activities are reported in the General Fund. Additional activities are reported in various other funds. These include Special Revenue Funds, Debt Service Funds, and Capital Projects Funds.

In the fund financial statements, capital assets purchased are reported as expenditures in the year of acquisition with no asset being reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. The obligations for future years' debt service are not recorded in the fund financial statements.

Government-wide Financial Statements

The government-wide financial statements, required by GASB 34, are calculated using full accrual accounting and more closely represent those presented by business and industry. All of the District's assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation, as well as the bonded debt of the District.

Carsonville-Port Sanilac School District

Management's Discussion and Analysis

For Fiscal Year Ended June 30, 2007

Summary of Net Assets

The following schedule summarizes the net assets at fiscal year ended June 30, 2007:

Assets	2007	2006
Current assets	\$1,914,804	\$ 1,657,635
Deferred Costs	55,539	405,000
Less Accumulated amortization		(25,313)
Capital assets	13,351,492	13,350,337
Less: Accumulated depreciation	<u>(5,874,834)</u>	<u>(5,474,694)</u>
Total assets	<u>\$ 9,447,001</u>	<u>\$ 9,912,965</u>
Liabilities		
Current liabilities	\$ 911,631	\$ 1,090,899
Long-term liabilities	<u>7,079,046</u>	<u>7,733,828</u>
Total liabilities	<u>\$ 7,990,677</u>	<u>\$ 8,824,727</u>
Net Assets		
Invested in capital assets, net of related debt	\$ 34,656	\$ 77,925
Restricted for debt service	562,366	534,553
Unrestricted	<u>859,302</u>	<u>475,760</u>
Total net assets	<u>1,456,324</u>	<u>1,088,238</u>
Total liabilities and net assets	<u>\$ 9,447,001</u>	<u>\$9,912,965</u>

Analysis of Financial Position

During the fiscal year ended June 30, 2007, the District's net assets increased by \$ 368,086. A few of the more significant factors affecting net assets during the year are discussed below.

1. Depreciation Expense

GASB 34 requires school districts to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net assets.

Carsonville-Port Sanilac School District

Management's Discussion and Analysis

For Fiscal Year Ended June 30, 2007

Depreciation expense is recorded on a straight-line basis over the estimated useful lives of the assets. In accordance with GAAP, depreciation expense is calculated based on the original cost of the asset less an estimated salvage value, where applicable. For the fiscal year ended June 30, 2007, \$ 400,140 was recorded for depreciation expense.

2. Capital Outlay Acquisitions

For the fiscal year ended June 30, 2007, \$ 1,155 of expenditures were capitalized and recorded as assets of the District. These additions to the District's capital assets will be depreciated over time as explained above.

The net effect of the new capital assets and the current year's depreciation is a decrease to capital assets in the amount of \$379,891 for the fiscal year ended June 30, 2007.

Results of Operations

For the fiscal year ended June 30, 2007, the results of operations, on a District-wide basis, were:

General Revenues	2007	%	2006	% of Total
Property taxes	\$1,612,415	26.52	\$ 1,524,947	25.69%
Investment earnings	12,714	.21	13,370	0.23%
State sources	3,842,797	63.20	3,756,264	63.25%
Other	<u>118,537</u>	1.95	<u>118,690</u>	2.00%
Total general revenues	<u>\$5,586,463</u>	91.88%	<u>\$ 5,413,271</u>	91.17%
Program Revenues				
Charges for services	\$ 108,490	1.79%	\$ 114,920	1.93%
Operating grants	<u>385,167</u>	6.33	<u>409,610</u>	6.90%
Total program revenues	<u>493,657</u>	8.12	<u>524,530</u>	8.83%
Total revenues	<u>\$ 6,080,120</u>	100.00%	<u>\$5,937,801</u>	100.00%
Expenses				
Instruction	\$3,034,134	53.12	\$ 3,182,733	52.78%
Support services	1,535,566	26.88	1,634,509	27.11%
Transfer to other districts	6,472	.11	5,354	.09%
Food services	235,846	4.13	229,071	3.80%
Athletics	154,679	2.71	172,722	2.86%
Interest on long-term debt	323,709	5.67	357,241	5.92%
Unallocated depreciation	400,140	7.01	426,867	7.08%
Amortization	20,249	.35	20,250	.34%
Other	<u>1,239</u>	.02	<u>942</u>	.02%
Total expenses	<u>\$ 5,712,034</u>	100.00%	<u>\$ 6,029,689</u>	100.00%
Increase (decrease) in net assets				
Increase in net assets	<u>\$ 368,086</u>		<u>\$ (91,888)</u>	

Carsonville-Port Sanilac School District

Management's Discussion and Analysis

For Fiscal Year Ended June 30, 2007

Analysis of Significant Revenues and Expenses

Significant revenues and expenditures are discussed in the segments below:

1. Property Taxes

The District 18 mills of property taxes for operations on non-homestead properties. According to Michigan law, the taxable levy is based on the taxable valuation of properties. The annual taxable valuation increases are capped at the rate of the prior year's Consumer's Price Index increase or 5%, whichever is less. At the time property is sold, its taxable valuation is readjusted to the State Equalized Value, which in theory is half of the property's market value.

For the 2006-2007 fiscal year, the district levied \$ 830,410 non-homestead property taxes. This represented an increase of 1.6% from the prior year. The amount of unpaid property taxes at June 30, 2007, less an estimate for those deemed to be un-collectible, was \$12,536.

The following table summarizes the non-homestead property tax levies for operations for the past five years:

Fiscal Year	Non-homestead Tax Levy	% Increase (Decrease) from prior year
2006 - 2007	\$ 830,410	1.60%
2005 - 2006	\$ 817,203	6.77%
2004 - 2005	\$ 765,384	3.40%
2003 - 2004	\$ 740,285	10.80%
2002 - 2003	\$ 668,581	1.60%
2001 - 2002	\$ 658,606	9.20%
2000 - 2001	\$ 603,342	6.70%
1999 - 2000	\$ 565,480	4.70%

2. State Sources

The majority of the state sources is comprised of the per student foundation allowance. The State of Michigan funds districts based on a blended student enrollment. The blended enrollment consists of 75% of the September 2006 count and 25% of the February 2006 count. For the 2006 - 2007 fiscal year, the District's foundation allowance was \$ 7,085 per student FTE.

Carsonville-Port Sanilac School District

Management's Discussion and Analysis

For Fiscal Year Ended June 30, 2007

3. Student Enrollment

The following schedule compares actual to budgeted FTE for the blended student enrollment for the past five fiscal years:

	Actual Blended Student FTE	Budgeted Blended Student FTE	Variance Favorable (Unfavorable)
2006 - 2007	628.75	628.75	0
2005 - 2006	632.13	632	.13
2004 - 2005	632	632	0
2003 - 2004	623	623	0
2002 - 2003	630.5	615	15.5
2001 - 2002	644	646	(2)
2000 - 2001	665.96	646.2	19.76
1999 - 2000	658.99	661	(2.01)

4. Operating Grants

The District funds a significant portion of its operations with categorical sources. For the fiscal year ended June 30, 2007, federal, state and other grants accounted for \$385,167. This represents a decrease of \$24,443 over the total grant sources received for the 2005 - 2006 fiscal year.

5. County Special Education Allocation

For the fiscal year ended June 30, 2007, the District received an allocation from the Sanilac Intermediate School District in the amount of \$ 32,000 to assist with the education of students with special needs.

6. Interest Earnings

The District received interest on its investments in the amount of \$12,714 for the fiscal year ended June 30, 2007. Interest revenues decreased from the prior fiscal year by \$656.

Carsonville-Port Sanilac Schools
Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2007

7. Comparative Expenditures

A comparison of the expenditures reported on the Statement of Revenues, Expenditures, and Changes in Fund balances is shown below.

Expenditures	2006 – 2007 Fiscal Year	2005 – 2006 Fiscal Year	Increase (Decrease)
Instruction	\$ 3,052,664	3,211,887	(159,223)
Supporting services	1,543,508	1,647,003	(103,495)
Food service activities	235,846	229,071	6,775
Athletic activities	154,679	172,722	(18,043)
Debt service	750,748	748,819	1,929
Total expenditures	<u>\$ 5,737,445</u>	<u>6,009,502</u>	<u>(272,057)</u>

Carsonville-Port Sanilac Schools

Management's Discussion and Analysis

For Fiscal Year Ended June 30, 2007

General Fund Budgetary Highlights

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to its starting on July 1st. Any amendments made to the operating budget must be approved by the Board prior to the close of the fiscal year on June 30th.

For the 2006 – 2007 fiscal year, the district amended the general fund budget two times with the Board adopting the changes in June 2007. The following schedule shows a comparison of the original general fund budget, the final amended general fund budget and actual totals from operations:

	Original Budget	Final Budget	Actual	Variance with Final Budget- positive (negative)	% Variance
Total revenues	<u>\$ 4,903,925</u>	<u>\$ 4,987,635</u>	<u>\$ 4,982,103</u>	<u>\$ (5,532)</u>	(.11)%
Expenditures:					
Instruction	\$ 2,900,143	3,076,949	3,052,664	24,286	.79%
Supporting services	<u>1,740,216</u>	<u>1,588,323</u>	<u>1,543,508</u>	<u>44,815</u>	2.82%
Total expenditures	4,640,359	4,665,272	4,596,172	69,100	1.48%
Other financing Sources	<u>(156,359)</u>	<u>(149,659)</u>	<u>(142,505)</u>	<u>7,154</u>	4.78%
Excess of revenue over Expenditures & other Sources	<u>\$ 107,207</u>	172,704	243,426	<u>70,722</u>	40.95%
Fund Balance – Beginning of year		<u>576,869</u>	<u>576,869</u>		
Fund Balance – End of year		<u>\$ 749,573</u>	<u>\$ 820,295</u>		

Carsonville-Port Sanilac School District

Management's Discussion and Analysis

For Fiscal Year Ended June 30, 2007

Capital Asset and Debt Administration

Capital Assets

By the end of the 2006 – 2007 fiscal year, the district had invested \$ 13,351,492 in a broad range of capital assets, including school buildings and facilities, school buses and other vehicles, and various types of equipment. This represents a net increase of approximately \$1,155 over the prior fiscal year. Depreciated expense for the year amounted to roughly \$ 400,140 bringing the accumulation to \$5,874,834 as of June 30, 2007.

Long- term Debt

At June 30, 2007, the District had nearly \$7,745,901, in bonded debt outstanding. This represents a reduction of \$431,504 over the amount outstanding at the closed of the prior fiscal year as no new debt was issued in the 2006– 2007 fiscal year.

Factors Bearing on the District's Future

At the time that these financial statements were prepared and audited, the District was aware of the following items that could significantly affect its financial health in the future.

- With the current economic condition in the country, and especially in the State of Michigan, uncertainty surrounds the level at which districts will be funded for the student foundation allowance for the 2007 – 2008 fiscal year.
- As with other employers, the District continues to face a rapid increase in rates paid for employee benefits, particularly for health insurance. Additionally, while the State has managed to keep the growth in the rate districts fund the retirement system over the past few years, the increase in the number of retirees projected to occur over the next few years may result in higher annual increases.
- The contracts with the Carsonville-Port Sanilac Schools Education Association, the union that represents the teaching staff, International Union of Operating Engineers, the union that represents the custodial and support staff, have all been settled and expire August 31, 2009. Contracts with administrators and the bus driver association are all settled with a 2009 expiration date as well.
- The state of Michigan continues to increase its focus on student achievement. Results of standardized test scores (Michigan Education Assessment Program) are compared from year to year, with the results being tabulated by school building and by district. With the changes to the federal Title I legislation resulting from the No Child Behind Act, adequate yearly progress of students will be more important as certain portions of funding are now tied to it.

Carsonville-Port Sanilac School District

Management's Discussion and Analysis

For Fiscal Year Ended June 30, 2007

Next Years Proposed Budget 07/08

For this Proposed Budget hearing we wish to comply with Section 16 of the Uniform Budgeting and Accounting Act and state that our proposed property tax millage rate to be levied this fall is 18 mills. This will generate \$ 830,410 in local property taxes. This is based on the Non-Homestead Taxable Value of \$46,133,900.

Revenue:

The local revenue was adjusted to reflect student enrollment figures from the February 2007 and projected fall 2007 count.

Expenses:

The pay scales have moved the employees to the appropriate wage steps for the upcoming year and adjusted for contract settlements.

The healthcare benefits have increased for MESSA health insurances for the teachers and the Health Savings Accounts for the other employee groups. Many support employees of the district have switched to another insurance plan; Health Savings Account. This has saved both the district and the employees several dollars in health care.

The district continues to operate with a half-time Superintendent. This saves the district approximately \$121,000 per year.

The district continues to be creative with staffing and had a teacher retire and return part time which saves the district dollars.

We have increased operation and maintenance budgets for increased electric and gas costs.

The district leases its busses, which allows us to have a newer bus fleet and saves on maintenance costs.

Contracting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report, or need additional financial information, please contact:

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BASIC FINANCIAL STATEMENTS

CARSONVILLE-PORT SANILAC SCHOOLS
STATEMENT OF NET ASSETS
June 30, 2007

	ASSETS	GOVERNMENTAL ACTIVITIES
CURRENT ASSETS:		
Cash and equivalents		\$ 1,100,397
Accounts receivable		5,837
Property taxes receivable		12,536
Due from other governmental units		796,034
TOTAL CURRENT ASSETS		<u>1,914,804</u>
NONCURRENT ASSETS:		
Deferred costs		55,539
Capital assets		13,351,492
Less accumulated depreciation		(5,874,834)
TOTAL NONCURRENT ASSETS		<u>7,532,197</u>
TOTAL ASSETS		<u><u>\$ 9,447,001</u></u>
	LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES:		
Accounts payable		\$ 59,979
Accrued salaries & wages		226,409
Accrued payroll taxes		21,082
Benefits payable		44,644
Retirement payable		48,280
Deferred revenue		35,068
Accrued interest		50,838
Current portion of long term debt		403,793
Current portion of compensated absences		21,538
TOTAL CURRENT LIABILITIES		<u>911,631</u>
NONCURRENT LIABILITIES:		
Noncurrent portion of long term debt		7,038,209
Compensated absences		40,837
TOTAL NONCURRENT LIABILITIES		<u>7,079,046</u>
NET ASSETS:		
Invested in capital assets, net of related debt		34,656
Restricted for debt service		562,366
Unrestricted		859,302
TOTAL NET ASSETS		<u>1,456,324</u>
TOTAL LIABILITIES AND NET ASSETS		<u><u>\$ 9,447,001</u></u>

The accompanying notes are an integral part of the financial statements.

CARSONVILLE-PORT SANILAC SCHOOLS
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2007

Functions/Programs	Expenses	Program Revenues		Governmental Activities
		Charges for Services	Operating Grants	Net (Expense) Revenue and Changes in Net Assets
Governmental activities:				
Instruction	\$ 3,034,134		\$ 168,487	\$ (2,865,647)
Support services	1,535,566		72,209	(1,463,358)
Transfers to other districts	6,472			(6,472)
Food services	235,846	\$ 77,834	144,472	(13,540)
Athletics	154,679	30,656		(124,023)
Interest on long-term debt	323,709		-	(323,709)
Other	1,239			(1,239)
Amortization	20,249			(20,249)
Unallocated depreciation	400,140			(400,140)
Total governmental activities	<u>\$ 5,712,034</u>	<u>\$ 108,490</u>	<u>\$ 385,167</u>	<u>(5,218,377)</u>
General revenues:				
Property taxes, levied for general purposes				827,790
Property taxes, levied for debt service				784,625
State of Michigan school aid unrestricted				3,842,797
Investment revenue				12,714
Miscellaneous				118,537
Total general revenue				<u>5,586,463</u>
Change in net assets				368,086
Net assets, beginning of year				1,088,238
Net assets, end of year				<u>\$ 1,456,324</u>

The accompanying notes are an integral part of the financial statements.

CARSONVILLE-PORT SANILAC SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2007

	GENERAL FUND	2005 REFUNDING	2001 ENERGY CONSERVATION IMPROVEMENT BOND (QZAB)	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>ASSETS</u>					
CURRENT ASSETS:					
Cash and equivalents	\$ 458,031	\$ 239,519	\$ 237,274	\$ 165,573	\$ 1,100,397
Accounts receivable	5,018			819	5,837
Due from other governmental units	796,034				796,034
Due from other funds	-	175		3,151	3,326
TOTAL ASSETS	\$ 1,259,083	\$ 239,694	\$ 237,274	\$ 169,543	\$ 1,905,594
<u>LIABILITIES AND FUND BALANCE</u>					
LIABILITIES:					
Accounts payable	\$ 59,979				\$ 59,979
Accrued salaries & wages	226,409				226,409
Due to other funds	3,326			-	3,326
Accrued payroll taxes	21,082				21,082
Benefits payable	44,644				44,644
Retirement payable	48,280				48,280
Deferred revenue	35,068				35,068
TOTAL LIABILITIES	438,788	-	-	-	438,788
FUND BALANCE:					
Reserved for debt service		\$ 239,694	\$ 237,274	\$ 136,236	613,204
Designated for maintenance fund	41,893				41,893
Designated for compensated absences	62,375				62,375
Designated for Bus Lease	69,382				
Undesignated	646,645			33,307	679,952
TOTAL FUND BALANCE	820,295	239,694	237,274	169,543	1,466,806
TOTAL LIABILITIES & FUND BALANCE	\$ 1,259,083	\$ 239,694	\$ 237,274	\$ 169,543	\$ 1,905,594

The accompanying notes are an integral part of the financial statements.

CARSONVILLE-PORT SANILAC SCHOOLS
Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Assets
June 30, 2007

Total Fund Balances - Governmental Funds \$ 1,466,806

Amounts reported for governmental activities in the statement of
net assets are different because:

Capital assets used in governmental activities are not
financial resources and are not reported in the funds

The cost of the capital assets is: 13,351,492
Accumulated depreciation is: (5,874,834)

Long term liabilities are not due and payable in the current
period and are not reported in the funds

Bonds payable: (7,745,901)
Deferred bond premium (25,016)
Deferred bond discount 26,696
Deferred amount on bond refunding 302,219
Compensated absences: (62,375)

Accrued interest is not reported as a liability in governmental
funds; it is recorded when paid:

Accrued interest (50,838)
Deferred costs for bond refunding 55,539

Balance of taxes receivable at 06/30/07 less allowance for doubtful
accounts, expected to be collected after September 1, 2007

12,536

Net Assets of Governmental Activities

\$ 1,456,324

The accompanying notes are an integral part of the financial statements.

CARSONVILLE-PORT SANILAC SCHOOLS
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2007

	GENERAL FUND	2005 REFUNDING	2001 ENERGY CONSERVATION IMPROVEMENT BOND (QZAB)	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:					
Local sources	\$ 911,262	\$ 617,748	\$ 4,437	\$ 278,491	\$ 1,811,938
State sources	3,830,146	-		12,651	3,842,797
Federal sources	240,695			144,472	385,167
TOTAL REVENUES	4,982,103	617,748	4,437	435,614	6,039,902
EXPENDITURES:					
Instruction	3,052,664				3,052,664
Supporting services	1,543,508				1,543,508
Food services				235,846	235,846
Athletic services				154,679	154,679
Debt service:					
Principal redemption		265,000		150,000	415,000
Interest		323,409		11,100	334,509
Other		540		699	1,239
TOTAL EXPENDITURES	4,596,172	588,949	-	552,324	5,737,445
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	385,931	28,799	4,437	(116,710)	302,457
OTHER FINANCING SOURCES (USES):					
Transfers from other governmental units	35,262				35,262
Transfers from other funds		-	37,308	123,987	161,295
Transfers to other funds	(161,295)	-			(161,295)
Other transfers	(6,472)				(6,472)
Payments on loans	(10,000)				(10,000)
TOTAL OTHER FINANCING SOURCES (USES)	(142,505)	-	37,308	123,987	18,790
EXCESS OF REVENUES OVER EXPENDITURES & OTHER SOURCES (USES)	243,426	28,799	41,745	7,277	321,247
FUND BALANCE - BEGINNING OF YEAR	576,869	210,895	195,529	162,266	1,145,559
FUND BALANCE - END OF YEAR	\$ 820,295	\$ 239,694	\$ 237,274	\$ 169,543	\$ 1,466,806

The accompanying notes are an integral part of the financial statements.

CARSONVILLE-PORT SANILAC SCHOOLS
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
June 30, 2007

Total net change in fund balances - governmental funds	\$ 321,247
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of these assets are allocated over their useful lives as depreciation:	
Depreciation expense	(400,140)
Amortization expense	(20,249)
Capital outlay	1,155
Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:	
Accrued interest payable at the beginning of the year	61,638
Accrued interest payable at the end of the year	(50,838)
Repayments of principal on long-term debt is an expenditure in the governmental funds, but not in the statement of activities (where it is a reduction of liabilities)	
Principal repayments	431,504
Revenue is recorded on the accrual method in the statement of activities; in the governmental funds it is recorded on the modified accrual method and not considered available:	
Taxes receivable at the beginning of the year	(7,580)
Taxes receivable at the end of the year	12,536
Compensated absences are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds:	
Accrued absences at the beginning of the year	81,188
Accrued absences at the end of the year	(62,375)
Change in net assets of governmental activities	<u>\$ 368,086</u>

The accompanying notes are an integral part of the financial statements.

CARSONVILLE-PORT SANILAC SCHOOLS
STATEMENT OF FIDUCIARY NET ASSETS
June 30, 2007

	<u>AGENCY FUNDS</u>
<u>ASSETS</u>	
CURRENT ASSETS	
Cash	\$ 15,255
Accounts Receivable	30,000
TOTAL ASSETS	<u>\$ 45,255</u>
 <u>LIABILITIES AND FUND BALANCE</u>	
LIABILITIES:	
Due to student organizations	\$ 45,255
Due to other funds	
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 45,255</u>

The accompanying notes are an integral part of the financial statements.

CARSONVILLE-PORT SANILAC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The School district was organized in 1910 and presently covers approximately 78.9 square miles covering all or parts of 8 Townships in Sanilac County. The School District operates under an elected School Board (7 members) and provides educational services to approximately 630 students.

The basic financial statements of the Carsonville-Port Sanilac Schools have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

REPORTING ENTITY:

The Carsonville-Port Sanilac Schools (the "District") is governed by the Carsonville-Port Sanilac Schools Board of Education (the "Board"), which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state, and federal government sources and must comply with all the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statement No. 14 and 39.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS:

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. The government-wide financial statements categorize primary activities as either governmental or business type. All of the District's activities are classified as governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges paid by recipients who purchase, use or directly benefit from goods or services by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Foundation Aid, certain revenue from the intermediate school district and other unrestricted items are not included as program revenues but instead as *general revenues*.

In the government-wide statement of net assets, the governmental activities column (a) is presented on a consolidated basis, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The District first utilizes restricted resources to finance qualifying activities.

The government-wide statement of activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.) The statement of activities reduces gross expenses by related program revenues and operating grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources, intermediate district sources, interest income and other revenues.)

The District does not allocate indirect costs.

CARSONVILLE-PORT SANILAC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued):

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

GOVERNMENTAL FUNDS

Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use and balances of the school district's expendable financial resources and the related current liabilities are accounted for through governmental funds.

The District reports the following major governmental funds:

The *general fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

The *2005 Refunding and 2001 Energy Conservation Improvement Bond (QZAB) debt service funds* account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

OTHER NON-MAJOR FUNDS

The *special revenue funds* account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The District accounts for its food service and athletic activities in the special revenue funds.

The *1990 and School Bus (QZAB) debt service funds* account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Fiduciary funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the District under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements.

The *agency fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the District holds for others in an agency capacity (primarily student activities).

CARSONVILLE-PORT SANILAC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION:

Accrual Method:

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board.

Modified Accrual Method:

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, state and federal aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

State Revenue:

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2007 the foundation allowance was based on the pupil membership counts taken in February and September of 2006.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes that may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period and is funded through payments from October, 2006 - August, 2007. Thus, the unpaid portion at June 30th is reported as due from other governmental units. The local revenue is recognized as outlined in Note 1 Accounting for Property Taxes.

The District also receives revenue from the State to administer certain categorical education programs. State rules require that revenue earmarked for these programs be expended for its specific purpose. Categorical funds received that are not expended by the close of the fiscal year are recorded as deferred revenue.

For the year ended June 30, 2007, approximately \$98,221 of non-cash transactions from the Michigan Department of Education (MDE) has been recorded as state aid revenue and pension expenditures as a result of a changes in funding by the MDE.

Federal Revenue:

Expenditure-driven grants are recognized when the qualifying expenditures have been incurred and all other grant requirements have been met.

CARSONVILLE-PORT SANILAC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

ASSETS, LIABILITIES AND EQUITY:

1. Cash and equivalents include amounts in demand deposits and certificates of deposit.

The District reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and No. 40 *Deposits and Investment Risk Disclosures*. Under these standards, certain investments are valued at fair value and determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the districts intend to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

2. Short-term Interfund Receivables/Payables.

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet.

3. Property Taxes.

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied and become a lien as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year.

The actual due date is September 14 and February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

For the year ended June 30, 2007, the District levied the following amounts per \$1,000 of assessed valuation:

<u>FUND</u>	<u>MILLS</u>
General Fund – Non Homestead	18.000
Debt Service Funds	5.700

4. Inventories and Prepaid Items.

Inventories are valued at the lower of cost (first-in, first-out) or market. Inventories in the special revenue fund consisting of expendable supplies held for consumption are recorded as expenditures when consumed rather than when purchased. Inventories for commodities are recorded as revenue when utilized. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenditures.

CARSONVILLE-PORT SANILAC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

ASSETS, LIABILITIES AND EQUITY (Continued):

5. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

6. Capital Assets.

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Buildings and additions	50 years
Furniture and other equipment	5 – 15 years

The District's capitalization policy is to capitalize individual amounts exceeding \$5,000. Group purchases are evaluated on a case-by-case basis.

7. Deferred Revenues.

The unexpended balance of various federal and/or state categorical grants is carried forward as deferred revenue until the period in which eligible expenditures are incurred. Other monies collected in advance are also deferred.

8. Compensated Absences.

Each teacher shall be credited with sixteen sick leave days at the beginning of the school year that can be accumulated to one hundred forty days. All unused sick leave days in excess of one hundred forty days shall be paid to the teacher at the end of the school year on the basis of \$25.00 per day, only after 10 years of service. Other employee groups have contracts with negotiated sick leave benefits at varying levels.

9. Unemployment Insurance.

The District reimburses the State of Michigan Bureau of Worker's & Unemployment Compensation (BW&UC) for the actual amount of unemployment benefits disbursed by the BW&UC on behalf of the District. Billings received for amounts paid by the BW&UC through June 30 are accrued if material.

CARSONVILLE-PORT SANILAC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

ASSETS, LIABILITIES AND EQUITY (Continued):

10. Long-term obligations.

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net assets. Bond premiums and discounts, as well as issuance costs and the difference between the reacquisition price and the net carrying amount of the old debt, are deferred and amortized over the life of the bonds using the straight line method over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

11. Fund Balance.

The unreserved fund balances for governmental funds represent the amount available for budgeting future operations. The reserved fund balances for governmental funds represent the amount that has been legally identified for specific purposes or indicates that a component of assets does not constitute "available spendable resources". The designated fund balances for governmental funds represent tentative plans for future use of financial resources. For the year ended June 30, 2007, the district has designated \$41,893 for the maintenance of existing property and equipment.

12. Use of Estimates.

The process of preparing general purpose financial statements in conformity with U.S. generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

13. Interfund Transactions.

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reduction of expenditures/expenses in the fund that is reimbursed.

14. Memorandum Only - Total Column.

The total column on the combined general-purpose financial statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis and do not represent consolidated financial information. Data in these columns do not present financial position or results of operations in conformity with U.S. generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

CARSONVILLE-PORT SANILAC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE 2 - STEWARDSHIP, COMPLIANCE & ACCOUNTABILITY:

Budgets are adopted on a basis consistent with U.S. generally accepted accounting principles. Annual appropriated budgets are adopted for the general and special revenue funds. All annual appropriations lapse at fiscal year end.

The District does not maintain a formalized encumbrance accounting system.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, or in excess of the amount appropriated. Violations, if any, are noted in the required supplementary information section.
4. The Superintendent is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. Formal budgetary integration is employed as a management control device during the year for the general fund, special revenue and debt service fund.
6. The budget as presented, has been amended. Supplemental appropriations were made during the year with the last one approved prior to June 30.

NOTE 3 - CASH AND EQUIVALENTS - CREDIT RISK:

Cash and cash equivalents are held separately in the name of the district by each of the district's funds.

Interest rate risk. In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs).

Concentration of credit risk. The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

CARSONVILLE-PORT SANILAC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE 3 - CASH AND EQUIVALENTS - CREDIT RISK (CONTINUED):

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2007, \$1,204,841 of the District's bank balance of \$1,304,841 was exposed to custodial credit risk because it was uninsured and uncollateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name. The District places its deposits with high quality financial institutions. Although such deposits exceed federally insured limits, they are, in the opinion of the District, subject to minimal risk.

Foreign currency risk. The District is not authorized to invest in investments which have this type of risk.

The above amounts as previously reported in Note 3:

Deposits	\$ 1,100,397
Fiduciary Funds	<u>15,255</u>
	<u>\$ 1,115,652</u>

The District has no investments.

NOTE 4 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN:

Plan Description – The District contributes to the statewide Michigan Public School Employees' Retirement System (MPERS), a cost sharing multiple-employer defined benefit pension plan administered by the nine-member board of the MPERS. The MPERS provides retirement benefits and post-retirement benefits for health, dental and vision. The MPERS was established by Public Act 136 of 1945 and operated under the provisions of Public Act 300 of 1980, as amended. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, P.O. Box 30026, Lansing, Michigan, 48909 or by calling (517) 322-6000.

Funding Policy – Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9%. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 through December 31, 1989 contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; and 4.3% of all wages over \$15,000.

Basic Plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987 or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Market rate interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves MPERS service and no pension is payable, the member's accumulated contribution plus interest, if any, are refundable.

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The rate for the year ended June 30, 2007 was 16.43% for July 1 through September 30, 2006 and 17.74% for October 1 through June 30, 2007. The contribution requirements of plan members and the District are established and may be amended by the MPERS Board of Trustees. The District contributes to MPERS for the years ended June 30, 2007, 2006, and 2005, were \$477,260, \$460,447, and \$378,900, respectively, equal to the required contribution for each year.

The District is not responsible for the payment of retirement benefits that is the responsibility of the State of Michigan.

CARSONVILLE-PORT SANILAC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE 4 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN (CONTINUED):

OTHER POST-EMPLOYMENT BENEFITS:

Under the MPERS' Act, all retirees have the option of continuing health, dental and vision coverage. These benefits are not included in the pension benefit obligation referred to above.

NOTE 5 - RISK MANAGEMENT:

The District is exposed to risk of loss related to injuries to employees'. The District participates in a pool of educational institutions within the State of Michigan for self-insuring workers' disability compensation. The pool is considered a public entity risk pool. The District pays quarterly premiums to the pool for the insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the pool's policy year may be subject to special assessment to make up the deficiency. The pool maintains reinsurance for claims in excess of \$500,000 for each occurrence with the overall maximum coverage being unlimited. The District has not been informed of any special assessments being required.

The District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance, torts, theft of, damage to and destruction of assets and errors & omissions.

NOTE 6 - INTERFUND RECEIVABLES AND PAYABLES:

	<u>INTERFUND RECEIVABLE</u>	<u>INTERFUND PAYABLE</u>
General Fund		\$3,326
Special Revenue	\$3,114	
Debt Retirement Fund	<u>212</u>	<u> </u>
Total	<u>\$3,326</u>	<u>\$3,326</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting systems, and (3) payments between funds are made.

NOTE 7 - OPERATING LEASES:

The School District leases buses and office equipment under operating lease agreements that expire at various dates, respectively. Lease expense amounted to \$69,382. At June 30, 2007, future lease payments under such leases are as follows:

June 30, 2008	\$ 71,584
June 30, 2009	\$ 1,101

CARSONVILLE-PORT SANILAC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE 8 - LONG-TERM DEBT:

The District issues bonds to provide funds for the acquisition, construction and improvements of major facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District. Long-term obligations currently outstanding are as follows:

Copier capital lease, due with monthly installments of \$583 with interest at 3.32%	\$11,324
2000 general obligation building & site bonds due in annual installments ranging from \$220,000 to \$225,000 with interest at 5.250%	765,000
2005 general obligation building & site bonds as a result of refunding 2011 – 2026 bonds issued in 2000. The bonds are due in annual installments ranging from \$30,000 to \$480,000 with interest ranging from 3.00% - 4.75%.	6,340,000
1998 energy improvement bonds due in annual installments ranging from \$10,000-\$15,000 with interest ranging from 3.750% - 4.350%.	15,000
1998 limited obligation bonds (Durant bonds) (face amount \$46,583) due in annual installments ranging from \$2,255-\$11,663 with interest at 4.76%	27,505
2001 Qualified Zone Academy Bonds (face amount \$485,000). The bonds are interest free and are repayable 5/1/2014. The district is required to set aside \$37,308 beginning on 5/1/01 and each year thereafter. The sum of these amounts set aside, together with the interest earned thereon, will be sufficient to repay the aggregate principal amount of the bonds	485,000
2001 Qualified Zone Academy Bonds (face amount \$102,072) used for the purchase of 2 buses. The bonds are interest free and are repayable in two installments of \$51,036 due on 10/17/06 and 10/17/07. The district is required to set aside \$17,018 beginning on 10/17/02 and each year thereafter. The sum of these amounts set aside, together with the interest earned thereon, will be sufficient to repay the aggregate principal amount of the bonds. \$68,048 was put into the account on 7/23/04 when the buses were sold	102,072
Plus: Premium on bond refunding	25,016
Less: Discount on bond refunding	(26,696)
Less: Deferred amount on bond refunding	(302,219)
Total bonded debt	7,442,002
Accumulated compensated absences	62,375
Total long-term debt	<u>\$7,504,377</u>

CARSONVILLE-PORT SANILAC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE 8 - LONG-TERM DEBT (Continued):

The annual requirements to amortize long-term debt outstanding as of June 30, 2007 are as follows:

<u>YEAR ENDED</u> <u>JUNE 30,</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2008	403,793	310,943	714,736
2009	310,445	302,127	612,572
2010	302,716	281,876	584,592
2011	312,845	266,610	579,455
2012	322,980	254,849	577,829
2013-2017	2,223,122	1,074,979	3,298,101
2018-2022	2,035,000	686,420	2,721,420
2023-2027	<u>1,835,000</u>	<u>212,250</u>	<u>2,047,250</u>
Total	\$7,745,901	\$3,390,054	\$11,135,955
Premium amount on bond refunding	25,016		25,016
Discount amount on bond refunding	(26,696)		(26,696)
Deferred amount on bond refunding	(302,219)		(302,219)
Compensated Absences	<u>62,375</u>		<u>62,375</u>
TOTAL	<u>\$7,504,377</u>	<u>\$3,390,054</u>	<u>\$10,894,431</u>

An amount of \$613,204 is available in the debt service fund to service the general obligation debt.

CHANGES IN LONG-TERM DEBT:

The following is a summary of the long-term debt transaction of the district for the year ended June 30, 2007:

	<u>ACCUMULATED</u> <u>SICK &</u> <u>VACATION PAY</u>	<u>GENERAL</u> <u>OBLIGATION</u>
Long-term debt – July 1, 2006	\$ 81,188	\$8,177,405
Net decrease in accumulated compensated absences	(18,813)	
Repayments:		
2005 refunded debt		(30,000)
2000 debt		(235,000)
1990 debt		(150,000)
1998 debt		(10,000)
Durant debt		(0)
Copier capital lease		<u>(6,504)</u>
Long-term debt – June 30, 2006	<u>\$62,375</u>	<u>\$7,745,901</u>

Interest expense (all funds) for the year ended June 30, 2007 was \$335,887.

CARSONVILLE-PORT SANILAC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE 9 – CAPITAL ASSETS:

A summary of changes in the District's capital assets follows:

	<u>Balance July 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance July 1, 2007</u>
Assets not being depreciated – land	\$ 50,000			\$ 50,000
Other capital assets:				
Land improvements	2,441,725			2,441,725
Building and additions	9,407,076			9,407,076
Machinery and equipment	1,451,536	\$1,155		1,452,691
Subtotal	13,300,337	1,155		13,301,492
Accumulated depreciation:				
Land improvements	(1,240,142)	(122,086)		(1,362,228)
Building and additions	(3,257,645)	(188,458)		(3,446,103)
Machinery and equipment	(976,907)	(89,596)		(1,066,503)
Subtotal	(5,474,694)	(400,140)		(5,874,834)
Net other capital assets	7,825,643	(398,985)		7,426,658
Net capital assets	<u>\$ 7,875,643</u>	<u>\$(398,985)</u>		<u>\$ 7,476,658</u>

Depreciation for the fiscal year ended June 30, 2007 amounted to \$400,140. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

NOTE 10- TRANSFERS:

Transfers between funds for the year ended June 30, 2007 were as follows:

<u>Fund</u>	<u>Transfers out</u>	<u>Transfers in</u>
General Fund	\$161,295	
Athletic Fund		\$123,987
Debt Retirement Fund		37,308
Total Transfers	<u>\$161,295</u>	<u>\$161,295</u>

The transfer to athletic fund from general fund was to subsidize operations. The transfer from general fund to Debt Retirement was to help cover debt payments.

CARSONVILLE-PORT SANILAC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE 11 – CONTINGENCY:

The District has been named as a defendant in a tenure hearing initiated by a tenured teacher. The claim asserted is a violation of rights under the Michigan Tenure Act and is currently under negotiations. Although it is unable to estimate the cost of damages, should the claim be negotiated, the settlement amount and the attorney fees would be the responsibility of the District. The District's attorney feels there is a good chance settlement will occur.

REQUIRED SUPPLEMENTARY INFORMATION

CARSONVILLE-PORT SANILAC SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2007

	GENERAL FUND			VARIANCE FAVORABLE (UNFAVORABLE)
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
REVENUES:				
Local sources	\$ 895,567	\$ 912,460	\$ 911,262	\$ (1,198)
State sources	3,769,214	3,833,762	3,830,146	(3,616)
Federal sources	239,144	241,413	240,695	(718)
TOTAL REVENUES	4,903,925	4,987,635	4,982,103	(5,532)
EXPENDITURES:				
Instruction	2,900,143	3,076,949	3,052,664	24,285
Supporting services	1,740,216	1,588,323	1,543,508	44,815
TOTAL EXPENDITURES	4,640,359	4,665,272	4,596,172	69,100
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	263,566	322,363	385,931	63,568
OTHER FINANCING SOURCES (USES):				
Transfers to other funds	(174,579)	(164,354)	(161,295)	3,059
Transfers from other governmental units	35,215	31,170	35,262	4,092
Other transfers	(6,995)	(6,475)	(6,472)	3
Payments on loans	(10,000)	(10,000)	(10,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	(156,359)	(149,659)	(142,505)	7,154
EXCESS OF REVENUES OVER EXPENDITURES & OTHER SOURCES (USES)	<u>\$ 107,207</u>	<u>172,704</u>	<u>243,426</u>	<u>\$ 70,722</u>
FUND BALANCE - BEGINNING OF YEAR		576,869	576,869	
FUND BALANCE - END OF YEAR		<u>\$ 749,573</u>	<u>\$ 820,295</u>	

ADDITIONAL INFORMATION

CARSONVILLE-PORT SANILAC SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES
JUNE 30, 2007

	<u>1990 DEBT SERVICE</u>	<u>SCHOOL BUS (QZAB)</u>	<u>SPECIAL REVENUE</u>	<u>TOTAL 2007</u>
<u>ASSETS</u>				
Cash in bank	\$ 28,900	\$ 107,299	\$ 29,374	\$ 165,573
Accounts receivable			819	819
Due from other funds	37		3,114	3,151
TOTAL ASSETS	<u>\$ 28,937</u>	<u>\$ 107,299</u>	<u>\$ 33,307</u>	<u>\$ 169,543</u>
<u>LIABILITIES & FUND BALANCE</u>				
LIABILITIES:				
Due to other funds	-		-	-
TOTAL LIABILITIES	<u>-</u>		<u>-</u>	<u>-</u>
FUND BALANCE	\$ 28,937	\$ 107,299	\$ 33,307	\$ 169,543
TOTAL LIABILITIES & FUND BALANCE	<u>\$ 28,937</u>	<u>\$ 107,299</u>	<u>\$ 33,307</u>	<u>\$ 169,543</u>

CARSONVILLE-PORT SANILAC SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2007

	1990 DEBT SERVICE	SCHOOL BUS (QZAB)	SPECIAL REVENUE	TOTAL 2007
REVENUES:				
Local sources	\$ 168,119	\$ 1,787	\$ 108,585	\$ 278,491
State sources			12,651	12,651
Federal sources			144,472	144,472
TOTAL REVENUES	168,119	1,787	265,708	435,614
EXPENDITURES:				
Food services			235,846	235,846
Athletic services			154,679	154,679
Debt service:				
Principal redemption	150,000			150,000
Interest	11,100			11,100
Other	699			699
TOTAL EXPENDITURES	161,799	-	390,525	552,324
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	6,320	1,787	(124,817)	(116,710)
OTHER FINANCING SOURCES (USES):				
Transfers from other governmental units				-
Transfers from other funds			123,987	123,987
Transfers to other funds				-
Other transfers	-			-
Payments on loans	-			-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	123,987	123,987
EXCESS OF REVENUES OVER EXPENDITURES & OTHER SOURCES (USES)	6,320	1,787	(830)	7,277
FUND BALANCE - BEGINNING OF YEAR	22,617	105,512	34,137	162,266
FUND BALANCE - END OF YEAR	\$ 28,937	\$ 107,299	\$ 33,307	\$ 169,543

CARSONVILLE-PORT SANILAC SCHOOLS
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER
FINANCING SOURCES COMPARED TO BUDGET
YEAR ENDED JUNE 30, 2007

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
REVENUE FROM LOCAL SOURCES:			
Property Tax		\$ 822,834	
Tuition & Fees		50,662	
Interest income		5,153	
Other		32,613	
TOTAL REVENUE FROM LOCAL SOURCES	<u>\$ 912,460</u>	<u>911,262</u>	<u>\$ (1,198)</u>
REVENUE FROM STATE SOURCES:			
State aid		3,587,742	
Other state grants		242,404	
TOTAL REVENUE FROM STATE SOURCES	<u>3,833,762</u>	<u>3,830,146</u>	<u>(3,616)</u>
REVENUE FROM FEDERAL SOURCES:			
Title I		151,130	
IDEA Project #050450/0405		32,000	
Rural & Low Income		1,690	
Drug Free		2,325	
Other Federal Revenue		53,550	
TOTAL REVENUE FROM FEDERAL SOURCES	<u>241,413</u>	<u>240,695</u>	<u>(718)</u>
OTHER FINANCING SOURCES:			
Transfers from other government units	31,170	35,262	4,092
TOTAL OTHER FINANCING SOURCES	<u>31,170</u>	<u>35,262</u>	<u>(4,092)</u>
TOTAL REVENUES	<u>\$ 5,018,805</u>	<u>\$ 5,017,365</u>	<u>\$ (1,440)</u>

CARSONVILLE-PORT SANILAC SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER
FINANCING SOURCES COMPARED TO BUDGET
YEAR ENDED JUNE 30, 2007

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
INSTRUCTION:			
Basic Programs:			
Elementary:			
Professional Salaries		\$ 719,373	
Non-Professional Salaries		32,911	
Insurance Benefits		182,875	
FICA, Retirement, etc.		212,575	
Purchased Services		130	
Supplies		16,813	
Miscellaneous		226	
Total Elementary	<u>\$ 1,206,757</u>	<u>1,164,903</u>	<u>\$ 41,854</u>
Secondary:			
Professional Salaries		730,753	
Non-Professional Salaries		16,861	
Insurance Benefits		167,523	
FICA, Retirement, etc.		189,416	
Purchased Services		2,479	
Supplies		23,982	
Capital Outlay		836	
Miscellaneous		10,151	
Total Secondary	<u>1,150,141</u>	<u>1,142,001</u>	<u>8,140</u>
Latch Key:			
Non-Professional Salaries		36,416	
FICA, Retirement, etc.		7,091	
Supplies		1,736	
Miscellaneous		299	
Total Latch Key	<u>45,665</u>	<u>45,542</u>	<u>123</u>

CARSONVILLE-PORT SANILAC SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER
FINANCING SOURCES COMPARED TO BUDGET
YEAR ENDED JUNE 30, 2007

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
INSTRUCTION, (Continued):			
Added Needs:			
Special Education:			
Professional Salaries		\$ 113,897	
Non-Professional Salaries		24,110	
Insurance Benefits		70,764	
FICA, Retirement, etc.		45,219	
Purchased Services		66,605	
Supplies		1,565	
Capital Outlay		-	
Miscellaneous		-	
Total Special Education	<u>\$ 324,996</u>	<u>322,160</u>	<u>\$ 2,836</u>
Federal Programs:			
Professional Salaries		147,371	
Non-Professional Salaries		8,779	
Insurance Benefits		26,811	
FICA, Retirement, etc.		36,982	
Purchased Services		435	
Supplies		11,827	
Total Federal Programs	<u>201,120</u>	<u>232,205</u>	<u>(31,085)</u>
Compensatory Education (At-Risk):			
Professional Salaries		67,884	
Insurance Benefits		18,962	
FICA, Retirement, etc.		19,925	
Supplies		37,184	
Total Compensatory Education (At-Risk)	<u>148,270</u>	<u>145,853</u>	<u>2,417</u>
TOTAL INSTRUCTION:	<u>3,076,949</u>	<u>3,052,664</u>	<u>24,285</u>

CARSONVILLE-PORT SANILAC SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER
FINANCING SOURCES COMPARED TO BUDGET
YEAR ENDED JUNE 30, 2007

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
SUPPORTING SERVICES:			
Pupil Services:			
Guidance Services:			
Professional Salaries		\$ 46,904	
Non-Professional Salaries		9,884	
Insurance Benefits		22,141	
FICA, Retirement, etc.		14,187	
Purchased Services		2,265	
Supplies		883	
Total Guidance Services	<u>\$ 97,799</u>	<u>96,264</u>	<u>\$ 1,535</u>
Improvement of Instruction:			
Professional Salaries		-	
Non-Professional Salaries		-	
FICA, Retirement, etc.		-	
Purchased Services		7,843	
Supplies		2,479	
Total Improvement of Instruction	<u>14,010</u>	<u>10,322</u>	<u>3,688</u>
Library:			
Professional Salaries		40,739	
Insurance Benefits		14,950	
FICA, Retirement, etc.		10,848	
Supplies		5,420	
Miscellaneous		341	
Total Library	<u>72,477</u>	<u>72,298</u>	<u>179</u>

CARSONVILLE-PORT SANILAC SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER
FINANCING SOURCES COMPARED TO BUDGET
YEAR ENDED JUNE 30, 2007

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
SUPPORTING SERVICES, (Continued):			
Pupil Services, (Continued):			
General Administration:			
Non-Professional Salaries		\$ 97,382	
Insurance Benefits		9,478	
FICA, Retirement, etc.		7,086	
Purchased Services		27,169	
Supplies		910	
Miscellaneous		3,903	
Total General Administration	<u>\$ 147,470</u>	<u>145,928</u>	<u>\$ 1,542</u>
School Administration:			
Professional Salaries		162,655	
Non-Professional Salaries		45,921	
Insurance Benefits		55,967	
FICA, Retirement, etc.		59,819	
Purchased Services		4,633	
Supplies		1,701	
Miscellaneous		875	
Total School Administration	<u>335,888</u>	<u>331,571</u>	<u>4,317</u>
Board of Education			
Professional Salaries		3,225	
FICA, Retirement, etc.		11	
Purchased Services		9,813	
Miscellaneous		2,171	
Total Board of Education	<u>15,275</u>	<u>15,220</u>	<u>55</u>

CARSONVILLE-PORT SANILAC SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER
FINANCING SOURCES COMPARED TO BUDGET
YEAR ENDED JUNE 30, 2007

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
SUPPORTING SERVICES, (Continued):			
Pupil Services, (Continued):			
Business - Fiscal Services:			
Professional Salaries		\$ 49,663	
Insurance Benefits		17,901	
FICA, Retirement, etc.		24,286	
Purchased Services		8,955	
Supplies		310	
Miscellaneous		18,617	
Total Business - Fiscal Services:	<u>\$ 120,967</u>	<u>119,732</u>	<u>\$ 1,235</u>
Operation of Plant:			
Non-Professional Salaries		135,254	
Insurance Benefits		46,777	
FICA, Retirement, etc.		36,434	
Purchased Services		240,025	
Supplies		14,135	
Capital Outlay		-	
Miscellaneous		209	
Total Operation of Plant	<u>497,738</u>	<u>472,834</u>	<u>24,904</u>
Pupil Transportation:			
Non-Professional Salaries		91,802	
Insurance Benefits		15,126	
FICA, Retirement, etc.		24,939	
Purchased Services		79,067	
Supplies		34,686	
Capital Outlay		-	
Miscellaneous		2,279	
Total Pupil Transportation	<u>254,849</u>	<u>247,899</u>	<u>6,950</u>

CARSONVILLE-PORT SANILAC SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER
FINANCING SOURCES COMPARED TO BUDGET
YEAR ENDED JUNE 30, 2007

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
SUPPORTING SERVICES, (Continued):			
Pupil Services, (Continued):			
Technology:			
Purchased Services		\$ 24,998	
Supplies		3,709	
Capital Outlay		2,733	
Total Technology	<u>\$ 31,850</u>	<u>31,440</u>	<u>\$ 410</u>
TOTAL SUPPORTING SERVICES	<u>1,588,323</u>	<u>1,543,508</u>	<u>44,815</u>
TOTAL EXPENDITURES	<u>4,665,272</u>	<u>4,596,172</u>	<u>69,100</u>
OTHER FINANCING USES:			
Transfers to other funds	164,354	161,295	3,059
Other transfers	6,475	6,472	3
Payments on loans	10,000	10,000	-
TOTAL OTHER FINANCING USES	<u>180,829</u>	<u>177,767</u>	<u>3,062</u>
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>\$ 4,846,101</u>	<u>\$ 4,773,939</u>	<u>\$ 72,162</u>

CARSONVILLE-PORT SANILAC SCHOOLS
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
June 30, 2007

	<u>FOOD SERVICES</u>	<u>ATHLETICS</u>	<u>TOTAL 2007</u>
<u>ASSETS</u>			
Cash in bank	\$ 28,844	\$ 530	\$ 29,374
Accounts receivable	819		819
Due from other funds	3,114	-	3,114
Due from other governmental units	-		-
<u>TOTAL ASSETS</u>	<u>\$ 32,777</u>	<u>\$ 530</u>	<u>\$ 33,307</u>
 <u>LIABILITIES & FUND BALANCE</u>			
LIABILITIES:			
Due to other funds	-	-	-
<u>TOTAL LIABILITIES</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE	\$ 32,777	\$ 530	\$ 33,307
<u>TOTAL LIABILITIES & FUND BALANCE</u>	<u>\$ 32,777</u>	<u>\$ 530</u>	<u>\$ 33,307</u>

CARSONVILLE-PORT SANILAC SCHOOLS
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
June 30, 2007

	<u>FOOD SERVICES</u>	<u>ATHLETICS</u>	<u>COMBINED</u>	<u>COMBINED BUDGET</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUES:					
Local Sources:					
Sale of meals & milk	\$ 75,792		\$ 75,792	\$ 80,000	\$ (4,208)
Admissions		\$ 19,883	19,883	29,000	(9,117)
Interest	64	31	95	200	(105)
Other	2,042	10,773	12,815	4,700	8,115
Total Local Sources	<u>77,898</u>	<u>30,687</u>	<u>108,585</u>	<u>113,900</u>	<u>(5,315)</u>
State Sources:					
State Lunch Aid	11,116		11,116	11,000	116
Other	1,535		1,535	-	1,535
Total State Sources	<u>12,651</u>	<u>-</u>	<u>12,651</u>	<u>11,000</u>	<u>1,651</u>
Federal Sources:					
National School Lunch Program	135,879		135,879	130,000	5,879
USDA Commodities	8,593		8,593	-	8,593
Total Federal Sources	<u>144,472</u>	<u>-</u>	<u>144,472</u>	<u>130,000</u>	<u>14,472</u>
TOTAL REVENUE	<u>235,021</u>	<u>30,687</u>	<u>265,708</u>	<u>254,900</u>	<u>10,808</u>
EXPENDITURES:					
School Service Activities:					
Professional salaries	87,137		87,137	80,000	(7,137)
Employee benefits	50,143		50,143	53,000	2,857
Food & milk	97,314		97,314	97,000	(314)
Athletics activities		154,679	154,679	172,000	17,321
Miscellaneous	1,252		1,252	4,000	2,748
TOTAL EXPENDITURES	<u>235,846</u>	<u>154,679</u>	<u>390,525</u>	<u>406,000</u>	<u>15,475</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(825)</u>	<u>(123,992)</u>	<u>(124,817)</u>	<u>(151,100)</u>	<u>26,283</u>
OTHER FINANCING SOURCES:					
Transfers from General Fund		123,987	123,987	140,000	(16,013)
TOTAL OTHER FINANCING SOURCES	<u>-</u>	<u>123,987</u>	<u>123,987</u>	<u>\$ 140,000</u>	<u>(16,013)</u>
NET CHANGE IN FUND BALANCE	<u>(825)</u>	<u>(5)</u>	<u>(830)</u>	<u>\$ (11,100)</u>	<u>\$ 10,270</u>
FUND BALANCE - JULY 1	33,602	535	34,137		
FUND BALANCE - JUNE 30	<u>\$ 32,777</u>	<u>\$ 530</u>	<u>\$ 33,307</u>		

CARSONVILLE-PORT SANILAC SCHOOLS
DEBT SERVICE FUNDS
COMBINING BALANCE SHEET
June 30, 2007

	<u>DURANT DEBT SERVICE</u>	<u>1990 DEBT SERVICE</u>
<u>ASSETS</u>		
Cash and equivalents	\$ -	\$ 28,900
Due from other funds	-	37
TOTAL ASSETS	<u><u>\$ -</u></u>	<u><u>\$ 28,937</u></u>
 <u>LIABILITIES & FUND BALANCE</u>		
Reserved for debt service	\$ -	\$ 28,937
TOTAL LIABILITIES & FUND BALANCE	<u><u>\$ -</u></u>	<u><u>\$ 28,937</u></u>

2005 REFUNDING	2001 ENERGY CONSERVATION IMPROVEMENT BOND (QZAB)	SCHOOL BUS (QZAB)	TOTALS
			2007
\$ 239,519 175	\$ 237,274 -	\$ 107,299 -	\$ 612,992 212
<u>\$ 239,694</u>	<u>\$ 237,274</u>	<u>\$ 107,299</u>	<u>\$ 613,204</u>
\$ 239,694	\$ 237,274	\$ 107,299	\$ 613,204
<u>\$ 239,694</u>	<u>\$ 237,274</u>	<u>\$ 107,299</u>	<u>\$ 613,204</u>

CARSONVILLE-PORT SANILAC SCHOOLS
DEBT SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
YEAR ENDED JUNE 30, 2007

	<u>DURANT DEBT SERVICE</u>	<u>1990 DEBT SERVICE</u>
REVENUES FROM LOCAL SOURCES:		
Local Sources:		
Current tax levy	-	\$ 167,909
Interest on investments	-	210
Total Local Sources	<u>-</u>	<u>168,119</u>
State Sources:		
State school aid	-	
TOTAL REVENUES	<u>-</u>	<u>168,119</u>
EXPENDITURES:		
Retirement of bonds	-	150,000
Interest on bonded debt	-	11,100
Bond fees and charges	-	699
TOTAL EXPENDITURES	<u>-</u>	<u>161,799</u>
OTHER FINANCING SOURCES (USES):		
Transfer from other funds		
Transfer to other funds		
TOTAL OTHER FINANCING SOURCES (USES):	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	-	6,320
FUND BALANCE - JULY 1	-	22,617
FUND BALANCE - JUNE 30	<u>-</u>	<u>\$ 28,937</u>

<u>2005 REFUNDING</u>	<u>2001 ENERGY CONSERVATION IMPROVEMENT BOND (QZAB)</u>	<u>SCHOOL BUS (QZAB)</u>	<u>TOTALS 2007</u>
\$ 616,716	-	-	\$ 784,625
1,032	\$ 4,437	\$ 1,787	7,466
<u>617,748</u>	<u>4,437</u>	<u>1,787</u>	<u>792,091</u>
			-
<u>617,748</u>	<u>4,437</u>	<u>1,787</u>	<u>792,091</u>
265,000	-	-	415,000
323,409	-	-	334,509
540	-	-	1,239
<u>588,949</u>	<u>-</u>	<u>-</u>	<u>750,748</u>
	37,308		37,308
<u>-</u>	<u>37,308</u>	<u>-</u>	<u>37,308</u>
<u>28,799</u>	<u>41,745</u>	<u>1,787</u>	<u>78,651</u>
210,895	195,529	105,512	534,553
<u>\$ 239,694</u>	<u>\$ 237,274</u>	<u>\$ 107,299</u>	<u>\$ 613,204</u>

CARSONVILLE-PORT SANILAC SCHOOLS
AGENCY FUND
STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND LIABILITIES
YEAR ENDED JUNE 30, 2007

	BALANCE JUNE 30, 2006	CASH RECEIPTS	CASH DISBURSEMENTS	BALANCE JUNE 30, 2007
Academic awards	\$ 21	\$ 466	\$ 427	\$ 60
Academic Memorial Fund	434	100	-	534
Alt Ed Misc	250	1,071	1,154	167
Art Club	322	100	41	381
Band	250	374	374	250
Baseball	(250)	250	-	-
Book Fund	23	35	-	58
Boys Basketball	525	8,349	8,614	260
Careers	331	-	-	331
Central office - miscellaneous	569	510	1,718	(639)
Cheerleading	361	1,294	1,786	(131)
Class of 2005	417	-	-	417
Class of 2006	(268)	141	45	(172)
Class of 2007	616	3,008	3,408	216
Class of 2008	208	605	515	298
Class of 2009	190	20	-	210
Class of 2010	-	370	-	370
Community Enrichment	30	-	-	30
Cross Country Team	2,285	135	820	1,600
District Pride	68	-	-	68
Drivers Education	106	-	-	106
Economics Club	8	-	-	8
Elementary Academic Boosters	5,546	21,942	15,631	11,857
Elementary Art	59	-	-	59
Elementary Extra Curricular	2,421	1,620	2,364	1,677
Elementary Library Book Fund	221	56	-	277
Elementary RIF Program	408	1,858	2,201	65
Elementary Store	32	-	-	32
Elementary Student Assistance	125	-	-	125
Elementary Student Council	67	-	-	67
Equestrian Team	-	175	-	175
Football Team	943	730	1,738	(65)
French Club	20	-	-	20
Freshman BB	237	-	-	237
Girls Basketball	797	7,475	1,129	7,143
Golf Team	181	-	-	181
High School (pop)	118	2,037	1,050	1,105
High School Student Assistance	412	-	8	404
High School Student Council	4,691	8,273	8,691	4,273
Honor society	393	580	385	588
Honor Society Field Trip	711	2,682	1,019	2,374
Interest earned	564	92	-	656
Lock replacement	201	-	-	201
Middle School Student Council	689	4,504	4,555	638
Middle School Technology	250	-	-	250
Miscellaneous	1,086	2,878	2,307	1,657
Mitchell Memorial	89	100	-	189
Natural Helpers	161	-	-	161
Office machines	7	-	-	7
Science Department	222	-	-	222
Softball Team	24	2,000	1,501	523
Special Activities	349	615	1,157	(193)
Theater 13	883	2,846	3,278	451
Toys for Tots	32	-	-	32
Track Team	1,420	165	678	907
Travel Club	374	80	-	454
Video Arts	85	634	-	719
Volleyball	348	110	-	458
Yearbook	4,307	2,125	3,525	2,907
TOTAL AGENCY FUND	\$ 34,969	\$ 80,405	\$ 70,119	\$ 45,255

CARSONVILLE-PORT SANILAC SCHOOLS
SCHEDULE OF BONDED DEBT
2001 ENERGY CONSERVATION IMPROVEMENT BOND (QZAB)
June 30, 2007

PRINCIPAL DUE MAY 1	DEBT SERVICE REQUIREMENT FOR FISCAL YEAR	
	JUNE 30	AMOUNT
\$ 485,000	2014	\$ 485,000
<u>\$ 485,000</u>		<u>\$ 485,000</u>

CARSONVILLE-PORT SANILAC SCHOOLS
SCHEDULE OF BONDED DEBT
SCHOOL BUS (QZAB)
June 30, 2007

<u>PRINCIPAL DUE OCTOBER 17</u>	<u>DEBT SERVICE REQUIREMENT FOR FISCAL YEAR</u>	
	<u>JUNE 30</u>	<u>AMOUNT</u>
\$ 102,072	2008	\$ 102,072
<u>\$ 102,072</u>		<u>\$ 102,072</u>

As of June 30, 2005, the District had set aside the full amount to cover this obligation.

CARSONVILLE-PORT SANILAC SCHOOLS
SCHEDULE OF BONDED DEBT
1998 DEBT RETIREMENT FUND
June 30, 2007

<u>PRINCIPAL DUE MAY 1</u>	<u>INTEREST DUE</u>	<u>INTEREST DUE</u>	<u>DEBT SERVICE REQUIREMENT FOR FISCAL YEAR</u>	
	<u>MAY 1</u>	<u>NOVEMBER 1</u>	<u>JUNE 30</u>	<u>AMOUNT</u>
\$ 15,000	\$ 326	\$ 326	2008	\$ 15,652
<u>\$ 15,000</u>	<u>\$ 326</u>	<u>\$ 326</u>		<u>\$ 15,652</u>

CARSONVILLE-PORT SANILAC SCHOOLS
SCHEDULE OF BONDED DEBT - DURANT BONDS
June 30, 2007

PRINCIPAL DUE MAY 15	INTEREST DUE MAY 15	DEBT SERVICE REQUIREMENT FOR FISCAL YEAR	
		JUNE 30	AMOUNT
\$ 15,842	\$ 6,137	2009	\$ 21,979
2,716	555	2010	3,271
2,845	426	2011	3,271
2,980	291	2012	3,271
3,122	149	2013	3,271
<u>\$ 27,505</u>	<u>\$ 7,558</u>		<u>\$ 35,063</u>

The above bond issue bears interest at 4.76%. The bond proceeds were used for erecting, furnishing and equipping additions to the existing school buildings and developing and improving the site.

This bond, including the interest hereon, is issued in anticipation of payments appropriated and to be appropriated by the State under Section 11g(3) of Act 94 to the School District (the "State Aid Payments"). The School District hereby pledges and assigns to the Authority all of its rights to and in such State Aid Payments as security for this bond and the State Aid Payments which are hereby pledged shall be subject to a statutory lien in favor of the Authority as authorized by Act 94. This bond is a self-liquidating bond and is not a general obligation of the School District and does not constitute an indebtedness of the School District within any constitutional or statutory limitation, and is payable both as to principal and interest, solely from such State Aid Payments. The School District, as requested by the Authority, hereby irrevocably authorizes the payment of the School Aid Payments directly to the Authority's Depository.

CARSONVILLE-PORT SANILAC SCHOOLS
SCHEDULE OF BONDED DEBT
2000 DEBT RETIREMENT FUND
June 30, 2007

PRINCIPAL DUE MAY 15	INTEREST DUE MAY 15	DEBT SERVICE REQUIREMENT FOR FISCAL YEAR	
		JUNE 30	AMOUNT
\$ 245,000	\$ 40,165	2008	\$ 285,165
255,000	27,300	2009	282,300
265,000	13,912	2010	278,912
<u>\$ 765,000</u>	<u>\$ 81,377</u>		<u>\$ 846,377</u>

On April 12, 2005 Carsonville-Port Sanilac School District refunded the 2011 through 2026 bonds for the purpose of better interest rates and erecting, furnishing, and equipping additions to the District's Elementary School and Middle/High School.

CARSONVILLE-PORT SANILAC SCHOOLS
SCHEDULE OF BONDED DEBT
REFUNDING BONDS, SERIES 2005
June 30, 2007

PRINCIPAL DUE MAY 1	INTEREST DUE		DEBT SERVICE REQUIREMENT FOR FISCAL YEAR	
	MAY 1	NOVEMBER 1	JUNE 30	AMOUNT
\$ 35,000	\$ 134,929	\$ 134,929	2008	\$ 304,858
35,000	134,317	134,317	2009	303,634
35,000	133,704	133,704	2010	302,408
310,000	133,092	133,092	2011	576,184
320,000	127,279	127,279	2012	574,558
325,000	121,079	121,079	2013	567,158
335,000	114,579	114,579	2014	564,158
345,000	107,879	107,879	2015	560,758
360,000	100,764	100,764	2016	561,528
370,000	93,114	93,114	2017	556,228
385,000	85,714	85,714	2018	556,428
395,000	77,773	77,773	2019	550,546
405,000	69,133	69,133	2020	543,266
420,000	60,020	60,020	2021	540,040
430,000	50,570	50,570	2022	531,140
440,000	41,433	41,433	2023	522,866
450,000	31,808	31,808	2024	513,616
465,000	21,964	21,964	2025	508,928
480,000	10,920	10,920	2026	501,840
<u>\$ 6,340,000</u>	<u>\$ 1,650,071</u>	<u>\$ 1,650,071</u>		<u>\$ 9,640,142</u>

On April 12, 2005 Carsonville-Port Sanilac School District refunded the 2011 through 2026 bonds for the purpose of better interest rates and erecting, furnishing, and equipping additions to the District's Elementary School and Middle/High School.



Gary R. Anderson, CPA
Jerry J. Bernhardt, CPA
Thomas B. Doran, CPA

Robert L. Tuckey, CPA
Valerie Jamieson Hartel, CPA
Jamie L. Peasley, CPA

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

November 2, 2007

To the Board of Education
Carsonville-Port Sanilac Schools
Carsonville, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Carsonville-Port Sanilac Schools as of and for the year ended June 30, 2007, which collectively comprise Carsonville-Port Sanilac Schools' basic financial statements and have issued our report thereon dated November 2, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Controller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Carsonville-Port Sanilac Schools' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement in the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control over financial reporting. We consider the deficiency described as 2007-1 and 2007-2 in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Board of Education
Carsonville-Port Sanilac Schools
November 2, 2007

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, the significant deficiencies described above as 2007-1 and 2007-2 we consider material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Carsonville-Port Sanilac Schools' financial statements are free of material misstatement, we performed test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Carsonville-Port Sanilac Schools in a separate letter dated November 2, 2007.

Carsonville-Port Sanilac Schools' responses to the findings identified in our audit are described in the accompanying schedule of findings and response. We did not audit Carsonville-Port Sanilac Schools' response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the board of education, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

November 2, 2007

To the Board of Education
Carsonville-Port Sanilac Schools
Carsonville, Michigan

Schedule of Finding and Responses

Findings considered material weaknesses

Finding 2007-1

Criteria:

Effective for the year ended June 30, 2007, Statement on Auditing Standards #112 titled *Communicating Internal Control Related Matters Identified in an Audit* (issued May 2006), requires us to communicate in writing when a client requires assistance to prepare the footnotes required in the annual audit report in accordance with accounting principles generally accepted in the United States of America.

Condition:

After considering the qualifications of the accounting personnel of Carsonville-Port Sanilac Schools, we believe that the personnel have the abilities to maintain the day-to-day bookkeeping of the School District, but they do not have the qualifications and abilities to generate financial statements, including required footnotes, in accordance with accounting principles generally accepted in the United States of America.

Cause:

The staff of the district does understand all information included in the annual financial statements; however, we assist in preparing the financial statements and related footnotes.

Effect:

We assist management with the external financial reporting responsibility to ensure their financial statements are accurate.

Recommendation:

We do not recommend any changes to this situation at this time and communicate this as required by professional standards. We believe this meets the definition of a material weakness as defined in Statement on Auditing Standards #112.

Client Response:

We are aware of this deficiency and believe it is not cost beneficial in our situation to develop this expertise. We will continue to use our external auditors for this technical assistance. We would expect this situation to be ongoing in future years.

November 2, 2007

To the Board of Education
Carsonville-Port Sanilac Schools
Carsonville, Michigan

Schedule of Finding and Responses

Findings considered material weaknesses (continued)

Finding 2007-2

Criteria:

Material adjustments had to be made during the audit.

Condition:

Adjustments were not made to accurately reflect the transactions taking place at year end.

Context:

Failure to make material adjustments increases the risk that the financial statements will be materially misstated.

Cause:

Oversight by the staff and management to record journal entries that properly reflect the transactions that have occurred at year end.

Effect:

Inaccurate financial information may be used for management decisions and reporting.

Recommendation:

The District should review year end transactions and record journal entries for any transaction not recorded.

Client Response:

We will review and make any necessary journal entries to our financial statements as the transaction occurs.

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.

Certified Public Accountants



Gary R. Anderson, CPA
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Robert L. Tuckey, CPA
Valerie Jamieson Hartel, CPA
Jamie L. Peasley, CPA

November 2, 2007

To the Board of Education
Carsonville-Port Sanilac School District
Carsonville, Michigan

Dear Board Members:

In planning and performing our audit of the financial statements of Carsonville-Port Sanilac School District as of and for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the school district's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the school district's internal control. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements, will not be prevented or detected by the school district's internal control.

Our consideration of internal control over financial reporting and internal control over compliance was for the limited purpose described above and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

The following comments relate to certain of the school district's accounting, financial and administrative policies and procedures that we observed during the course of our audit. These matters are not considered control deficiencies or material weaknesses as defined by professional standards.

Increase Fidelity insurance coverage

We recommend that the District review their fidelity insurance and consider increasing the insurance coverage. With the size of the District's operations and the amounts of money that are frequently involved in individual transactions indicate that the fidelity bond should carry a higher limitation. We believe that this type of protection is a particularly desirable safeguard against loss through theft or misappropriation, and we recommend that it be considered.

Segregation of Duties

Due to the limited number of people, many critical duties are combined and given to the available employees. To the extent possible, duties should be segregated to serve as a check and balance and to maintain the best control system possible. We recommend the district segregate duties whenever possible.

FDIC Insurance Limits

While conducting the audit of cash we noted the school district had cash on deposit in excess of the federally insured limit in a financial institution. This presents a potential for losses to the district in the event of bank or institutional failure. We suggest that management closely monitor cash balances and transfer excess balances to other banks, where possible, to reduce the potential for loss of monetary amounts in excess of the federally insured level.

Internal Control Procedures

Since the receipts and disbursements of the athletic, hot lunch, and student activity funds are not under the same scrutiny as the general fund we recommend that the Board periodically review the internal control procedures of each of these funds.

We recommend that the District review internal control procedures for the athletic, hot lunch, and student activity funds including cash receipts procedures and expense approval procedures.

Federal Funds

We noted that federal funds were not requested periodically during the year. The District should request funds on a reimbursement basis as program expenditures are incurred. We recommend the district assign the federal fund accounting to a federal funds coordinator. This person needs to be responsible for the overall program administration, including monitoring expenses charged to the federal program and requesting funds on a regular basis. This would also help with the District's cash flow.

IRS 403(b) Final Regulations

Intent

The intent of the regulations is to consolidate guidance on §403(b) plans issued since 1964.

Effective Date

These regulations are generally effective for taxable years beginning after December 31, 2008. Plan documents should be in place December 31, 2008 to be implemented as of January 1, 2009.

Written Plan Document

The IRS is working on a model plan document and guidance for school districts. This should contain the provisions necessary for compliance with the new rules.

A plan may consist of several documents, or make reference to other documents, such as annuity contracts and custodial agreements. The employer must ensure that there are no conflicts or inconsistencies between the documents.

The document must contain eligibility rules, benefits available, limitations, allowable vendors, and time and form distributions.

The document must allocate administrative and compliance responsibilities to the employer and/or designated third parties. The plan may not allocate compliance responsibilities to the participants.

Other Provisions

- Exchange of investment products
- Universal availability
- Distributions
- Terminations

Suggestions

Set up a committee of benefit officials and participants to review the current plan and design the future plan.

Determine if you need a third party administrator (TPA) to administer the plan and create a request for proposal (RFP) for services.

Offer employee education. The IRS is developing this type of information as well as a model plan for school districts.

New Auditing Standards

Recently, 10 new auditing standards have been released and are effective, or will become effective for your June 30, 2008 year-end. In reviewing the new standards, they will have an impact on our overall audit approach. The trend is to perform audit procedures utilizing more of a risk based approach. One area that will continue to be emphasized is your internal controls.

New Interpretation Of Deferred Compensation Rules Applicable To Teachers And Similar Employees

In August of 2007, the IRS issued new questions and answers related to deferred compensation that can affect teachers and similar employees.

When employees can elect to defer part of their compensation to a future year, they are generally subject to the rules applicable to deferred compensation under the Internal Revenue Code. These payments could be subject to an additional 20% tax if the specified procedures are not followed. For example, school employees who work 10 months but are paid over 12 months would be deferring compensation into a future year.

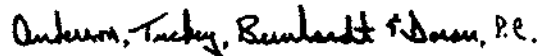
These rules are not applicable unless an election must be made. If a school district provides that all employees must spread their pay over 12 months, these rules do not apply.

In order to avoid imposition of extra taxes, the employees must give a written or electronic election to notify the employer that they want to spread out the compensation. This election must be provided before the start of the school year and must be irrevocable. The election must state how the compensation is going to be paid (for example, ratably over the 12 months starting with the beginning of the school year). This election does not need to be made for future years if the arrangement provides that the election will remain in place until the employee elects a change. These rules are effective January 1, 2008. Therefore, they are not applicable until the election for the 2008 – 2009 school year.

We appreciate the opportunity to be of service to the school district. The cooperation extended to us by your staff throughout the audit was greatly appreciated. We look forward each year to continuing our relationship with Carsonville-Port Sanilac School District. Should you wish to discuss any item included in this letter further, we would be happy to do so.

This communication is intended solely for the information and use of management and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



Anderson, Tuckey, Bernhardt & Doran, P.C.
Certified Public Accountants